NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements
for the year ended 30 June 2017

NGQUSHWA LOCAL MUNICIPALITY
(Registration number EC126)
Annual Financial Statements for the Year Ended 30 June 2017

GENERAL INFORMATION

LEGAL FORM OF ENTITY	Local Municipality
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Ngqushwa is a Local Municipality rendering basic services such as Refuse Collection, Infrastructure Development, Economic Development Community Services, etc.
EXECUTIVE COMMITTEE	M. T. Siwisa (Mayor) N. Magingxa (Speaker) F. Pumaphi (Chief whip) L. Kolisi (Member of the Executive Committee) Z. R. Nduneni (Member of the Executive Committee) S. S. Maneli (Member of the Executive Committee)
COUNCILLORS	N. Mtati N. C. Gxasheka P. Sitole D. Ncanywa N. Jako L. Moyeni T. Sikweyiya N. Leve N. V. Gxasheka N. Mquqo S. Gwavu R. Taylor N. Fulani N. Mpoli N. Lawu N. C. Madlingozi (Deceased: 28 April 2017)
TRADITIONAL LEADERS	N. Ngqondi (Princess) L. Zitshu (Prince) N. Mhlauli (Prince) Z. Njokweni (Chief) A. Goni (Prince)
GRADING OF LOCAL AUTHORITY	3
CHIEF FINANCE OFFICER (CFO)	Mr. V. C. Makedama
ACTING ACCOUNTING OFFICER	Mr. L. Govu
REGISTERED OFFICE	Corner of N2 and R345 Road Peddie 5640
BUSINESS ADDRESS	Corner of N2 and R345 Road Peddie 5640

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GENERAL INFORMATION

POSTAL ADDRESS	P.O Box 539 Peddie 5640
BANKERS	First National Bank
AUDITORS	Auditor General of South Africa
CONTACT DETAILS	Email: lgovu@ngqushwamun.gov.za Telephone: 040 673 3095 www.ngqushwamun.gov.za

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ABBREVIATIONS

ASB	Accounting Standards Board
CETA	Construction Education and Training Authority
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
IEC	Independent Electoral Commission
MPAC	Municipal Public Accounts Committee
PAYE	Pay As You Earn
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
ANC	African National Congress
RDP	Reconstruction and Development Programme
SALGA	South African Local Government Association
SARS	South African Revenue Services
SDL	Skills Development Levy
SPU	Special Programs Unit
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
mSCOA	Municipal Standard Chart of Accounts

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ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The accounting officer is required by the Municipal Finance Management Act No. 56 of 2003 to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the financial year ended 30 June 2017 and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB).

The annual financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, communicating, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, that based on the information and explanations given by management, the system of internal control provides reasonable assurance that the financial records may be relied upon for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatements or deficiencies.

The accounting officer has reviewed the municipality's cash flow forecast for the 12 months ended on 30 June 2018 and in light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements. The annual financial statements set out on pages 6 to 67, which have been prepared on the going concern basis, were agreed to by the Council on 29 August 2017 and were signed on its behalf by:

L. Govu
Acting Accounting Officer

31-08-2017
Date

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Statement of Financial Position as at 30 June 2017

	Note(s)	2017 R	2016 Restated* R
Assets			
Current Assets			
Inventories	3	3,345,700	3,345,700
Operating Lease Asset	4	404,534	393,740
Receivables from Non-Exchange Transactions	7	21,565,713	26,652,671
Receivables from Exchange Transactions	6	8,327,410	7,827,999
VAT Receivable	5	3,500,042	3,966,173
Cash and cash equivalents	8	1,265,817	1,199,984
		38,409,216	**43,386,267**
Non-Current Assets			
Intangible Assets	9	1,248,448	565,871
Investment property	10	24,058,000	24,058,000
Property, plant and equipment	11	170,056,701	164,579,847
Heritage assets	12	3	3
		195,363,152	**189,203,721**
Total Assets		**233,772,368**	**232,589,988**
Liabilities			
Current Liabilities			
Finance Lease Obligation	13	6,367,963	5,358,966
Payables from Exchange Transactions	14	25,976,055	16,101,072
Payables from Non-Exchange Transactions	15	497,776	850,612
Unspent conditional grants and receipts	16	899,544	-
		33,741,338	**22,310,650**
Non-Current Liabilities			
Finance lease obligation	13	561,447	6,781,891
Provisions	17	3,320,365	2,823,649
		3,881,812	**9,605,540**
Total Liabilities		**37,623,150**	**31,916,190**
Net Assets		**196,149,218**	**200,673,798**
Accumulated surplus	18	196,149,216	200,673,798

* See Note 40

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STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

	Note(s)	2017 R	2016 Restated* R
REVENUE			
Revenue from Exchange Transactions			
Service Charges	19	653,355	571,929
Rental of Facilities and Equipment	21	146,952	213,454
Agency Fees	22	343,681	315,731
Licences and Permits	20	1,604,886	1,638,850
Other Revenue	23	693,222	308,305
Interest Earned - Outstanding Debtors	24	3,777,615	3,277,506
Interest Revenue	25	1,129,318	1,255,184
Total Revenue from Exchange Transactions		**8,349,029**	**7,580,959**
Revenue from Non-Exchange Transactions			
Property Rates	26	25,753,131	18,922,386
Government Grants	27	102,413,456	110,343,000
Fines and Penalties	29	588,650	623,592
Other Transfer Revenue	28	3,105,293	2,060,146
Total Revenue from Non-Exchange Transactions		**131,860,530**	**131,949,124**
Total Revenue		**140,209,559**	**139,530,083**
EXPENDITURE			
Employee Related Costs	30	51,881,714	47,798,373
Remuneration of Councillors	31	7,414,450	7,756,767
Depreciation and Amortisation	32	16,738,460	14,038,371
Impairment of Assets	33	17,717	210,819
Finance Costs	34	1,280,221	3,650,557
Debt Impairment	35	1,877,636	1,963,245
Repairs and Maintenance	36	6,981,603	3,260,836
Other Expenditure	37	57,783,592	42,396,297
Total Expenditure		**143,975,393**	**121,075,265**
Operating (Deficit)/Surplus		**(3,765,834)**	**18,454,818**
Loss on Disposal of PPE		-	(224,833)
(Deficit)/Surplus for the year		**(3,765,834)**	**18,229,985**

* See Note 40

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STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

	Accumulated surplus R	Total net assets R
Balance as at 30 June 2015	174,062,980	174,062,980
Prior Year Adjustments	8,380,833	8,380,833
Restated Balance at 1 July 2015	**182,443,813**	**182,443,813**
Restated Surplus For The Year	18,229,985	18,229,985
Total changes	18,229,985	18,229,985
Restated Balance at 1 July 2016	**200,673,798**	**200,673,798**
Changes In Net Assets		
Prior year adjustments recognised directly in equity	(758,746)	(758,746)
Deficit for the year	(3,765,834)	(3,765,834)
	(4,524,580)	(4,524,580)
Balance at 30 June 2017	**196,149,216**	**196,149,216**

Refer to Note 40 (Prior Year Adjustments)

* See Note 40

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CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Note(s)	2017 R	2016 Restated* R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Billed Services		33,238,499	8,000,611
Government Grants	27	103,313,000	110,343,000
Interest Revenue		1,070,556	3,277,506
Receipt from other services		5,468,666	4,907,474
		143,090,721	126,528,591
Payments			
Payments to Employees		(53,851,954)	(53,243,741)
Payments to Suppliers		(59,785,639)	(43,620,295)
Finance Costs		(1,006,456)	(894,941)
		(114,644,049)	(97,758,977)
Net cash flows from operating activities	38	**28,446,673**	**28,769,614**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	11	(22,388,196)	(27,269,440)
Proceeds from Sale of Property, Plant and Equipment	11	-	316,425
Purchase of Intangible Assets	9	(783,038)	-
Proceeds from Insurance Claim for Loss on Property, Plant and Equipment	23	138,575	30,396
Net cash flows from investing activities		**(23,032,659)**	**(26,922,619)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance Lease Repayments	13	(5,348,191)	(809,819)
Net cash flows from financing activities		**(5,348,191)**	**(809,819)**
Net increase/(decrease) in Cash and Cash Equivalents		**65,823**	**1,037,176**
Cash and Cash Equivalents at the beginning of the year		1,199,984	163,631
Prior year error (Refer to Note 40)		-	(823)
Cash and Cash Equivalents at the end of the year	8	**1,265,807**	**1,199,984**

* See Note 40

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NGQUSHWA LOCAL MUNICIPALITY
(Registration number EC126)
Annual Financial Statements for the Year Ended 30 June 2017

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017						
REVENUE						
Revenue from Exchange Transactions						
Service Charges	674,160	-	674,160	653,355	(20,805)	
Rental of Facilities and Equipment	122,376	15,296	137,672	146,952	9,280	
Interest Revenue	4,411,406	(2,000,000)	2,411,406	1,129,318	(1,282,088)	1
Agency Fees	254,400	200,000	454,400	343,681	(110,719)	2
Licences and Permits	2,526,400	(860,000)	1,666,400	1,604,886	(61,514)	
Other Revenue	16,772,141	(4,998,800)	11,773,341	693,222	(11,080,119)	3
Interest Earned - Outstanding Debtors	12,726,000	7,300,000	20,026,000	3,777,615	(16,248,385)	4
Gains on disposal of assets	350,000	-	350,000	-	(350,000)	
Total Revenue from Exchange Transactions	**37,836,883**	**(343,504)**	**37,493,379**	**8,349,029**	**(29,144,350)**	
Revenue from Non-Exchange Transactions						
Property Rates	17,235,690	-	17,235,690	25,753,131	8,517,441	5
Government Grants	105,692,000	350,000	106,042,000	102,413,456	(3,628,544)	6
Fines and Penalties	285,250	500,000	785,250	588,650	(196,600)	7
Other Transfer Revenue	6,369,277	-	6,369,277	3,105,293	(3,263,984)	8
Total Revenue from Non-Exchange Transactions	**129,582,217**	**850,000**	**130,432,217**	**131,860,530**	**1,428,313**	
Total Revenue	**167,419,100**	**506,496**	**167,925,596**	**140,209,559**	**(27,716,037)**	
EXPENDITURE						
Employee Related Costs	(57,867,621)	965,664	(56,901,957)	(51,881,714)	5,020,243	9
Remuneration of Councillors	(8,415,982)	(2)	(8,415,984)	(7,414,450)	1,001,534	10
Depreciation and Amortisation	(21,268,923)	(4,435,278)	(25,704,201)	(16,738,460)	8,965,741	
Impairment of Assets	-	-	-	(17,717)	(17,717)	
Finance Costs	-	2,100,000	2,100,000	(1,280,221)	(3,380,221)	
Debt Impairment	(1,788,594)	(1,411,406)	(3,200,000)	(1,877,636)	1,322,364	11
Repairs and Maintenance	(10,310,180)	(362,292)	(10,672,472)	(6,981,603)	3,690,869	12
Transfers and Subsidies	(1,600,000)	1,600,000	-	-	-	
Other Expenditure	(59,308,034)	(8,830,442)	(68,138,476)	(57,783,592)	10,354,884	13
Total expenditure	**(160,559,334)**	**(10,373,756)**	**(170,933,090)**	**(143,975,393)**	**26,957,697**	
Surplus/(Deficit) for the year	**6,859,766**	**(9,867,260)**	**(3,007,494)**	**(3,765,834)**	**(758,340)**	
Deficit	6,859,766	(9,867,260)	(3,007,494)	(3,765,834)	(758,340)	

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017						
ASSETS						
CURRENT ASSETS						
Inventories	268,800	-	268,800	3,345,700	3,076,900	
Operating Lease Asset	-	-	-	404,534	404,534	
Receivables from Non-Exchange Transactions	29,000,000	(3,904,839)	25,095,161	21,565,713	(3,529,448)	
Receivables from Exchange Transactions	-	7,827,999	7,827,999	8,327,410	499,411	
VAT Receivable	-	-	-	3,500,042	3,500,042	
Cash and cash equivalents	755,448	445,359	1,200,807	1,265,817	65,010	
	30,024,248	4,368,519	34,392,767	38,409,216	4,016,449	
NON-CURRENT ASSETS						
Intangible Assets	965,517	(399,646)	565,871	1,248,448	682,577	
Investment property	37,976,900	(25,000)	37,951,900	24,058,000	(13,893,900)	
Property, plant and equipment	146,434,014	16,981,219	163,415,233	170,056,699	6,641,466	
Investments	4,411,406	(4,411,406)	-	-	-	
Heritage assets	-	-	-	3	3	
	189,787,837	12,145,167	201,933,004	195,363,150	(6,569,854)	
Total Assets	219,812,085	16,513,686	236,325,771	233,772,366	(2,553,405)	
LIABILITIES						
CURRENT LIABILITIES						
Finance lease obligation	-	4,761,551	4,761,551	6,367,963	1,606,412	
Payables from exchange transactions	23,713,000	4,338,217	28,051,217	25,976,055	(2,075,162)	
Payables from Non-Exchange Transactions	-	-	-	497,776	497,776	
Unspent conditional grants and receipts	-	-	-	899,544	899,544	
	23,713,000	9,099,768	32,812,768	33,741,338	928,570	
NON-CURRENT LIABILITIES						
Finance lease obligation	2,500,000	4,520,261	7,020,261	561,447	(6,458,814)	
Provisions	3,000,000	(151,769)	2,848,231	3,320,365	472,134	
	5,500,000	4,368,492	9,868,492	3,881,812	(5,986,680)	
	-	-	-	-	-	
Total Liabilities	29,213,000	13,468,260	42,681,260	37,623,150	(5,058,110)	
Net Assets	190,599,085	3,045,426	193,644,511	196,149,216	2,504,705	
NET ASSETS						
Accumulated surplus	190,599,000	(190,599,000)	-	196,149,216	196,149,216	
	190,599,000	(190,599,000)	-	196,149,216	196,149,216	
Total Net Assets	190,599,000	(190,599,000)	-	196,149,216	196,149,216	

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017						
CASH FLOWS FROM OPERATING ACTIVITIES						
RECEIPTS						
Billed Services	17,909,850	(1,468,159)	16,441,691	33,238,499	16,796,808	
Government Grants	111,992,000	419,277	112,411,277	103,313,000	(9,098,277)	
Interest Revenue	4,537,406	781,398	5,318,804	1,070,556	(4,248,248)	
Receipts from Other Services	32,629,844	(11,687,737)	20,942,107	5,468,666	(15,473,441)	
	167,069,100	(11,955,221)	155,113,879	143,090,721	(12,023,158)	
PAYMENTS						
Employee Costs and Suppliers	(134,301,816)	(8,862,480)	(143,164,296)	(113,637,592)	29,526,704	
Finance Costs	-	-	-	(1,006,456)	(1,006,456)	
	(134,301,816)	(8,862,480)	(143,164,296)	(114,644,048)	28,520,248	
Net Cash Flows from Operating Activities	32,767,284	(20,817,701)	11,949,583	28,446,673	16,497,090	
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of Property, Plant and Equipment	(31,517,284)	(34,449)	(31,551,733)	(22,388,196)	9,163,537	
Proceeds from Sale of Property, Plant and Equipment	350,000	(108,500)	241,500	-	(241,500)	
Proceeds from Insurance Claim for Loss on Property, Plant and Equipment	-	-	-	138,575	138,575	
Purchase of intangible assets	-	-	-	(783,038)	(783,038)	
Net Cash Flows from Investing Activities	(31,167,284)	(142,949)	(31,310,233)	(23,032,659)	8,277,574	
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayment of a Finance Lease	-	-	-	(5,348,191)	(5,348,191)	
Net cash flows from financing activities	-	-	-	(5,348,191)	-	
Net increase/(decrease) in cash and cash equivalents	1,600,000	(20,960,650)	(19,360,650)	65,823	24,774,664	
Cash and Cash Equivalents at the beginning of the year	755,448	445,358	1,200,806	1,199,984	(822)	
Cash and Cash Equivalents at the end of the year	2,355,448	(20,515,292)	(18,159,844)	1,265,807	24,773,842	

Material differences between budget and actual amounts

The municipality did not overspend on its budget for the current financial year.

1. Reduced investments due to cash flow restrictions

2. Lesser vehicles licenses were issued during the current year.

3. These were cash flow items included as revenue.

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	

4. These were cash flow items included as revenue.

5. Debtors cleansing resulting in an increase in debtors raised.

6. Grants were reduced due to not spending the required 60% by 31 December 2016.

7. Fewer traffic fines were issued during the current financial year.

8. Budgeted for an amount from CETA which was not subsequently received.

9. A number of vacant posts were not filled during the current year.

10. The Mayor and the Executive Committee did not get increases during the current year.

11. Over budgeted debtors written off in 2015/16.

12. Reduced spending due to cash flow reasons.

13. Reduced spending due to cash flow reasons.

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ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act No. 56 of 2003.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements are disclosed below:

These accounting policies are consistent with the previous period but the wording has since been amended and inclusion of required paragraphs has since been included.

These accounting policies are consistent with the previous period.

1.1 Presentation Currency

These annual financial statements are presented in South African Rands, which is the functional currency of the municipality. All amounts are rounded off to the nearest Rand.

1.2 Going Concern Assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant Judgements and Sources of Estimation Uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated based on the grading of category of debtors according to their payment history. An accumulation of arrear balances is an indicator of debtor delinquency. Such debtors are provided for as they are considered to be impaired due to uncertainty surrounding the recoverability of the outstanding amounts.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in Note 17: "Provisions" of these financial statements.

Allowance for Doubtful Debts

Impairment loss is recognised in surplus or deficit when there is objective evidence that the debtor is impaired. The impairment is measured using the debtor's balances and the policy for debt impairment considering the probability of not receiving the monies owed to the municipality.

1.4 Intangible Assets

The entity recognises a intangible assets or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

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ACCOUNTING POLICIES

Intangible Assets are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices in the local area.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of intangible assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a intangible assets is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

An unconditional government grant related to a intangible assets measured at its fair value less costs to sell is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on intangible assets where fair value cannot be determined, to write down the cost, less residual value, by equal installments over their useful lives as follows:

Transitional provision

The municipality changed its accounting policy for intangible assets and/or agricultural produce in 2017. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to recognise or measure intangible assets and/or agricultural produce for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Agriculture. Intangible Assets and/or agricultural produce has accordingly been recognised at provisional amounts, as disclosed in 9. The transitional provision expires on .

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where intangible assets and/or agricultural produce was acquired through a transfer of functions, the municipality is not required to measure that intangible assets and/or agricultural produce for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2017 and intangible assets and/or agricultural produce has accordingly been recognised at provisional amounts, as disclosed in 9.

Until such time as the measurement period expires and intangible assets and/or agricultural produce is recognised and measured in accordance with the requirements of the Standard of GRAP on Biological assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Agriculture implies that any associated presentation and disclosure requirements need not be complied with for intangible assets and/or agricultural produce not measured in accordance with the requirements of the Standard of GRAP on Agriculture.

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1.5 Investment property

Investment property is property held to earn rentals or for capital appreciation or both rather than for:
- use in the production or supply of goods or services, or
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial recognition.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a cost of, or service the property. If a replacement cost is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent Measurement - Fair value method

Subsequent to initial recognition investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 10).

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include all costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand-by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is depreciated on a straight line basis over their expected useful lives to their estimated residual value. The residual value estimated for motor vehicles is 20% of the cost at acquisition.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except land which is carried at cost.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indifinite
Buildings	9 - 30 years
Plant and machinery	10 - 15 years
Furniture and fixtures	5 - 7 years
Motor vehicles	7 years
Office equipment	5 - 7 years
Computer equipment	5 years
Security Equipment	5 years
Other Equipment	5 years
Infrastructure	
• Roads Paved	30 years
• Roads - Graded	7 - 25 years
• Electricity (Street lights and High Masts)	11 - 20 years
• Speed humps	15 years
Minor assets	Immediately
Park Facilities	5 - 76 years
Maintenance Equipment	10 years
Landfill Sites	69 - 98 years
Work in progress	Not depreciated

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical existence. An asset is identifiable if it either:
- is capable of being separated or divided from a municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are carried at cost less any accumulated amortisation and any impairment loss.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

The municipality has assumed that the residual value of intangible assets is zero.

Amortisation is provided to write down the intangible assets, on a straight line basis to their residual values as follows:

Item	Useful life
Computer software	5 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.8 Heritage Assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial Measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

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Subsequent Measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

The municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.9 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from a municipality's statement of financial position.

A financial asset is:
- cash;
- a contractual right to:
  - receive cash or another financial asset from another entity or any other entity; or
  - exchange financial assets or financial liabilities with another entity, or any other entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity or any other entity; or
- exchange financial assets or financial liabilities with another municipality, or any other entity under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by a entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

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A financial asset is past due when a counterparty has failed to make a payment when contractually due

Classification

The entity has the following types of financial assets (classes and categories) as reflected on the face of the statement of financial position or in the notes thereto.

Class	Category
Receivables from Exchange Transactions	Financial asset measured at amortised cost
Receivables from Non-Exchange Transactions	Financial asset measured at amortised cost
VAT Receivable	Financial asset measured at amortised cost
Operating Lease Asset	Financial asset measured at amortised cost
Cash and Cash Equivalents	Financial asset measured at fair value

The entity has the following and of financial liabilities (classes and categories) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from Non-Exchange Transactions	Financial liability measured at amortised cost
Payables from Non-Exchange Transactions	Financial liability measured at amortised cost
Finance Lease Obligation	Financial liability measured at amortised cost

Initial Recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset or a financial liability in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value.

Initial Measurement of Financial Assets and Financial Liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent Measurement of Financial Assets and Financial Liabilities

The entity measures its financial assets and financial liabilities after initial recognition at amortised cost except for cash and cash equivalents.

The financial assets that are measured at amortised cost are subject to an annual impairment review.

Payables from Exchange and Non-Exchange Transactions are initially measured at fair value.

Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash on hand and call accounts, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are subsequently measured at fair value.

Gains and Losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus's Statement of Financial Performance.

Impairment and Uncollectibility of Financial Assets

The entity assesses for impairment at the end of each reporting period when there is any objective evidence that a financia asset is impaired. When the allowance is recognised, it is measured as the asset's carrying amount at the date of recognition.
The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit

Derecognition

Financial Assets

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived or
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial Liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

Presentation

Interest relating to a financial instrument or a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

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Finance Leases - Lessee

Leases of property, plant and equipment where the municipality substantially assumes the risks and rewards of ownership are classified as finance leases. Finance lease assets and liabilities are recognised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the future minimum lease payments. The present value of the future minimum lease payments are determined using the rate implicit in the lease. In the event that the lease does not specify the rate implicit in the lease, the incremental borrowing rate is used. If the borrowing rate cannot be determined the prime interest rate at inception of the lease is used.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the statement of financial performance over the lease period so as to produce a constant periodic rate of interest on the remaining balances of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term when there is uncertainty that the ownership of the leased assets will transfer to the lessee otherwise the useful life is used in any other event.

Operating Leases - Lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

When assets are leased out under an operating lease, the asset is included in the statement of financial position on the nature of the asset.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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When inventories are transferred to beneficiaries, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.13 Impairment of Cash-Generating Assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follows:

Cash-Generating Units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.14 Employee Benefits

Employee benefits are all forms of consideration given by a entity in exchange for services rendered by employees

Termination benefits are employee benefits payable as a result of either:
- a municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the reporting period in which the employees render the related service.

Short-Term Employee Benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the reporting period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered a service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

1.15 Provisions and Contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

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Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 48.

1.16 Revenue from Exchange Transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of Services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

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ACCOUNTING POLICIES

Interest

Revenue arising from the use by others of municipality assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.17 Revenue from Non-Exchange Transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to another entity in exchange.

Fines are economic benefits or service potential received or receivable by the municipality, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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ACCOUNTING POLICIES

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured in full at the transaction date even if there is an uncertainty about the entity's ability to collect such revenue based on past history, as the entity has an obligation to collect all revenue due to it.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

Subsequent Measurement

The municipality assesses the collectability of the revenue and recognises impairment loss against the asset recognised. The municipality uses estimates to determine the amount of revenue that it is entitled to collect. The impairment is recognised as an expense in the statement of financial performance.

1.18 Investment Income

Investment income is recognised on a time-proportion basis using the effective interest rate method.

1.19 Borrowing Costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Comparative Figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.21 Unauthorised Expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act No. 56 of 2003, the Municipal Systems Act No. 32 of 2000, and the Remuneration of Public Office Bearers Act No. 20 of 1998 or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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1.24 Use of Estimates

The preparation of annual financial statements in conformity with the Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.25 Conditional Grants

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

1.26 Related Parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.27 Valued Added Tax

The municipality accounts for value added tax on accrual basis but pays over to /claims from SARS on a payment basis.

1.28 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets. An expense is recognised in the municipality's statement of financial performance when, and only when the goods are received and or services consumed. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the note.

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) are allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting expenses are recognised when incurred usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

ACCOUNTING POLICIES

Major expenses include:
- Repairs and Maintenance - inclusive of repairs and maintenance to buildings, infrastructure assets, motor vehicles and sports and recreational facilities;
- Other Expenditure which constitute several expense items which are not individually significant and
- Losses on the disposal of assets are reported separately from expenses on the Statement of Financial Performance

1.29 Budget Information

Municipalityunicipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 July 2016 to 30 June 2017.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

The statement of comparison of budget and actual amounts has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12).
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 18 (as amended 2016): Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the amendment is not yet set by the Minister of Finance.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

It is unlikely that the will have a material impact on the municipality's annual financial statements.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. New standards and interpretations (continued)

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

The most significant changes to the Standard are:
- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

The most significant changes to the Standard are:
- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:
- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. **New standards and interpretations (continued)**

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the standard.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. New standards and interpretations (continued)

The standard furthermore states that a related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence.

The standard sets out the requirements, inter alia, for the disclosure of:
- Control;
- Related party transactions; and
- Remuneration of management.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers definitions, identifying whether an entity is a principal or agent, accounting by a principal or agent, presentation, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the minister of finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 106 (as amended 2016): Transfers of functions between entities not under common control

Amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:
- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The municipality is unable to reliably estimate the impact of the on the annual financial statements.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R

3. INVENTORIES

Land to be transferred to beneficiaries	3,345,700	3,345,700

Inventories comprise of land on which RDP houses are constructed and are awaiting transfer to the beneficiaries A register of these properties is maintained by the municipality.

4. OPERATING LEASE ASSET

Leases for Land	404,534	393,740

The municipality lets land to tenants under leases covering periods ranging from 3 - 30 years. The leases are subject to escalation clauses as per the lease agreement resulting in straight lining of the rentals received and receivable.

The amount included above represents the difference between the actual rentals received and the calculated straight line lease.

The amount of the commitment arising from the operating leases is covered under note 39 of these annual financial statements.

5. VAT RECEIVABLE

VAT Input Control Account	1,876,251	1,885,080
VAT Output Control Account	(156,318)	(157,157)
VAT Receivable from SARS	1,780,109	2,238,250
	3,500,042	**3,966,173**

6. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Gross balances		
Refuse	1,261,824	1,011,622
Rent	135,423	202,075
Interest on Overdue Accounts	10,324,737	9,861,451
	11,721,984	**11,075,148**
Less: Allowance for impairment		
Refuse	(365,412)	(296,600)
Rent	(39,217)	(59,247)
Interest on Overdue Accounts	(2,989,945)	(2,891,302)
	(3,394,574)	**(3,247,149)**
Net balance		
Refuse	896,412	715,022
Rent	96,206	142,828
Interest on Overdue Accounts	7,334,792	6,970,149
	8,327,410	**7,827,999**
Refuse		
Current (0 -30 days)	40,667	45,714
31 - 60 days	112,037	41,399
61 - 90 days	24,632	43,074
91 - 120 days	23,485	23,940
121 - 150 days	22,890	21,888
> 151 days	1,038,113	835,607
	1,261,824	**1,011,622**

* See Note 40

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R
Rent		
Current (0 -30 days)	7,206	133,156
31 - 60 days	1,558	9,993
61 - 90 days	900	8,737
91 - 120 days	900	4,890
121 - 150 days	900	795
> 151 days	123,959	44,504
	135,423	**202,075**
Interest on overdue accounts		
Current (0 -30 days)	577,084	540,659
31 - 60 days	310,128	565,686
61 - 90 days	328,819	541,622
91 - 120 days	317,732	539,328
121 - 150 days	361,712	523,696
> 151 days	8,429,262	7,150,460
	10,324,737	**9,861,451**

7. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Property Rates	28,077,308	29,204,519
Less: Impairment on Property Rates	(8,130,920)	(6,400,710)
Other Receivables	1,619,325	3,848,862
	21,565,713	**26,652,671**

Property Rates		
Current (0 -30 days)	9,668,565	2,752,979
31 - 60 days	830,627	114,936
61 - 90 days	138,022	1,028,560
91 - 120 days	207,954	121,442
121 - 150 days	117,393	1,810,703
> 151 days	17,114,747	23,375,899
	28,077,308	**29,204,519**

* See Note 40

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R

Summary of Total Debtors (Exchange and Non-Exchange) by Customer Classification

Residential		
Current (0 -30 days)	431,743	1,289,888
31 - 60 days	215,252	182,391
61 - 90 days	175,549	224,789
91 - 120 days	156,472	166,690
121 - 365 days	162,819	163,025
> 365 days	6,826,037	4,424,084
	7,967,872	6,450,867
Less: Allowance for impairment	(6,385,762)	(4,211,741)
	1,582,110	**2,239,126**
Business		
Current (0 -30 days)	718,430	162,005
31 - 60 days	151,141	155,215
61 - 90 days	99,567	112,204
91 - 120 days	91,206	117,509
121 - 365 days	87,409	85,860
> 365 days	3,214,666	2,526,364
	4,362,419	3,159,157
Less: Allowance for impairment	(2,022,705)	(1,619,951)
	2,339,714	**1,539,206**
Government		
Current (0 -30 days)	8,885,071	1,155,462
31 - 60 days	814,551	294,007
61 - 90 days	184,515	1,181,192
91 - 120 days	271,573	307,906
121 - 365 days	218,884	2,020,072
> 365 days	13,256,556	12,984,707
	23,631,150	**17,943,346**
Other		
Current (0 -30 days)	258,278	865,154
31 - 60 days	73,406	100,400
61 - 90 days	32,742	103,807
91 - 120 days	30,821	97,495
121 - 365 days	33,783	88,125
> 365 days	3,408,820	4,097,896
	3,837,850	5,352,877
Less: Allowance for impairment	(3,117,027)	(3,816,166)
	720,823	**1,536,711**

* See Note 40

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R
Total debtor past due but not impaired		
Current (0 -30 days)	8,885,071	1,155,462
31 - 60 days	814,551	294,007
61 - 90 days	184,515	1,181,192
91 - 120 days	271,573	307,906
121 - 365 days	218,884	2,020,072
> 365 days	13,256,556	12,984,707
	23,631,150	**17,943,346**
Reconciliation of allowance for impairment		
Balance at beginning of the year	9,647,859	12,401,958
Contributions to allowance	1,877,636	(2,754,099)
Debt impairment written off against allowance	-	4,717,344
Reversal of allowance	-	(4,717,344)
	11,529,745	**9,647,859**
TOTAL DEBTORS (EXCHANGE AND NON-EXCHANGE)		
Balance Net of Credit Balances	28,273,798	27,999,062
Gross Up of Credit Balances	1,619,325	850,612
Other Debtors	-	5,630,996
	29,893,123	**34,480,670**

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2017	2016
Bank Balances	1,145,308	662,254
Investments	120,509	537,730
	1,265,817	**1,199,984**

The Municipality had the Following Bank Accounts:

Account number / description	Bank statement balances 30 June 2017	Bank statement balances 30 June 2016	Bank statement balances 30 June 2015	Cash book balances 30 June 2017	Cash book balances 30 June 2016	Cash book balances 30 June 2015
FNB Main Account - 62022000898	1,145,308	662,254	125,834	1,145,308	662,254	125,834
FNB Reserve Fund Account - 62035920596	1,784	1,767	1,749	1,784	1,767	1,749
FNB MIG Account - 62270667531	13,003	12,260	1,000	13,003	12,260	1,000
FNB Rates Account - 62414349763	96,119	504,656	31,503	96,119	504,656	31,503
FNB EPWP Account - 62414353441	973	963	1,005	973	963	1,005
FNB FMG Account - 62414358912	1,752	1,734	1,717	1,752	1,734	1,717
FNB Business Call Account - 62606330463	6,878	16,350	-	6,878	16,350	-
Total	**1,265,817**	**1,199,984**	**162,808**	**1,265,817**	**1,199,984**	**162,808**

* See Note 40

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R

9. INTANGIBLE ASSETS

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer Software	2,608,720	(1,360,272)	1,248,448	1,569,514	(1,003,643)	565,871

Reconciliation of Intangible Assets - 30 June 2017

	Opening balance	Additions	Amortisation	Total
Computer Software	565,871	1,039,206	(356,629)	1,248,448

Reconciliation of Intangible Assets - 30 June 2016

	Opening balance	Amortisation	Impairment loss	Total
Computer Software	965,517	(284,903)	(114,743)	565,871

The municipality amortises all its intangible assets and none of these are regarded as having indefinite useful lives. The useful lives of the intangible assets remain unchanged from the previous year.

10. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	24,058,000	-	24,058,000	24,058,000	-	24,058,000

Reconciliation of investment property - 2017

	Opening balance	Total
Investment property	24,058,000	24,058,000

Reconciliation of investment property - 2016

	Opening balance	Prior period error	Total
Investment property	37,951,900	(13,893,900)	24,058,000

* See Note 40

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R

10. Investment property (continued)

Details of property

Erf 2220 Peddie - Land Extent 4340 square meters		
Land is leased to Engen Petroleum		
- Cost at acquisition	2,888,000	2,888,000
Erf 447 Hamburg - Land Extent 2824 hq		
Portion of the Caravan Park Leased to Mrs Dorego.		
- Cost at acquisition	2,050,000	2,050,000
Erf 314 - Land Extent 989 square meters		
- Cost at acquisition	91,400	91,400
Erf 1836 - Land extent 488 square meters		
Leased to IEC		
- Cost at acquisition	556,700	556,700
Other Investment Land owned by the Municipality		
- Cost at acquisition	18,471,900	18,471,900

Valuation of investment property was done by Penny Lindstrom. Valuations in 2013, an independent valuer. The valuation, which conforms to international standards, was arrived at by reference to market evidence of transaction prices for similar properties. Valuation is performed every four years and the 4 years has not yet elapsed, therefore the properties have not been revalued.

At the end of the financial year, the properties were generating an average monthly income of R10 326 (2016: R9 576).

* See Note 40

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R

11. PROPERTY, PLANT AND EQUIPMENT

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	7,938,500	-	7,938,500	7,938,500	-	7,938,500
Buildings	78,498,888	(14,933,732)	63,565,156	72,090,102	(12,451,084)	59,639,018
Park Facilities	13,087,802	(1,806,333)	11,281,469	10,726,394	(1,289,049)	9,437,345
Infrastructure	140,204,661	(86,584,769)	53,619,892	122,649,128	(76,455,113)	46,194,015
Other Equipment	541,257	(167,298)	373,959	168,469	(131,583)	36,886
Capital Works in Progress	12,423,418	-	12,423,418	19,909,067	-	19,909,067
Plant and Equipment	20,733,154	(6,902,968)	13,830,186	19,529,194	(4,944,888)	14,584,306
Maintenance Equipment	433,801	(210,246)	223,555	346,256	(181,403)	164,853
Security Equipment	648,852	(444,376)	204,476	549,785	(380,675)	169,110
Motor Vehicles	9,251,642	(4,185,129)	5,066,513	8,473,771	(3,244,388)	5,229,383
Office Equipment	1,601,564	(930,797)	670,767	1,255,526	(702,845)	552,681
IT Equipment	2,439,700	(1,728,951)	710,749	1,969,351	(1,409,841)	559,510
Office Furniture	1,536,229	(1,388,168)	148,061	1,499,589	(1,334,416)	165,173
Minor Equipment	1,710,393	(1,710,393)	-	1,622,352	(1,622,352)	-
Total	**291,049,861**	**(120,993,160)**	**170,056,701**	**268,727,484**	**(104,147,637)**	**164,579,847**

* See Note 40

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R

Reconciliation of Property, Plant and Equipment - 30 June 2017

	Opening balance	Additions	Transfers	Depreciation capitalised to project	Depreciation	Impairment loss/Scrapped	Total
Land	7,938,500	-	-	-	-	-	7,938,500
Buildings	59,639,018	-	6,408,786	-	(2,482,647)	-	63,565,156
Park Facilities	9,437,345	-	2,361,408	-	(517,284)	-	11,281 469
Infrastructure	46,194,015	-	17,555,533	-	(10,129,657)	-	53,619,892
Other Equipment	36,886	292,400	80,388	-	(35,714)	-	373 960
Capital Works in Progress	19,909,067	19,043,433	(26,529,082)	-	-	-	12,423 417
Plant and Equipment	14,584,306	1,203,960	-	(511,793)	(1,446,286)	-	13,830,187
Maintenance Equipment	164,853	101,407	-	-	(38,125)	(4,580)	223,555
Security Equipment	169,110	99,067	-	-	(63,701)	-	204,476
Motor Vehicles	5,229,383	777,871	-	-	(940,741)	-	5,066,513
Office Equipment	552,681	346,037	-	-	(227,951)	-	670,767
IT Equipment	559,510	504,956	-	-	(340,582)	(13,137)	710,747
Office Furniture	165,173	-	36,640	-	(53,751)	-	148,061
Minor Equipment	-	19,065	86,327	-	(105,392)	-	-
	164,579,847	22,388,196	-	(511,793)	(16,381,831)	(17,717)	170,056,700

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017	2016 Restated*
	R	R

Reconciliation of Property, Plant and Equipment - 30 June 2016

	Opening balance	Additions	Finance lease additions	Disposals	Transfers	Assets returned to the lessor	Depreciation capitalised to project	Depreciation	Impairment loss	Prior year adjustments	Total
Land	7,743,600	-	-	-	-	-	-	-	-	194,900	7,938,500
Buildings	55,663,613	-	-	-	4,609,698	-	-	(2,315,486)	-	1,681,193	59,639,018
Park Facilities	7,196,615	-	-	(154,042)	2,915,630	-	-	(421,029)	-	(99,829)	9,437,345
Infrastructure	36,564,808	-	-	-	10,049,490	-	-	(8,219,935)	-	7,799,653	46,194,015
Other Equipment	42,062	17,034	-	(11,600)	-	-	-	(10,610)	-	-	36,886
Capital Works in Progress	21,716,413	24,286,000	-	-	(17,574,818)	-	-	-	(107,226)	(8,411,302)	19,909,067
Plant and Equipment	11,423,857	272,998	10,170,675	(55,146)	-	(5,284,996)	(1,611,788)	(331,294)	-	-	14,584,306
Maintenance Equipment	126,000	81,408	-	(7,555)	-	-	-	(35,000)	-	-	164,853
Security Equipment	228,842	-	-	-	-	-	-	(59,732)	-	-	169,110
Motor Vehicles	4,658,743	1,730,199	-	(309,993)	-	-	(991)	(766,715)	(81,860)	-	5,229,383
Office Equipment	530,877	196,339	-	-	-	-	-	(173,001)	(1,534)	-	552,681
IT Equipment	489,581	449,738	-	(2,694)	-	-	-	(364,433)	(12,682)	-	559,510
Office Furniture	285,197	25,700	-	(228)	-	-	-	(145,496)	-	-	165,173
Minor Equipment	-	206,604	-	-	-	-	-	(206,604)	-	-	-
TOTAL	146,670,208	27,266,020	10,170,675	(541,258)	-	(5,284,996)	(1,612,779)	(13,049,335)	(203,302)	1,164,615	164,579,847

Pledged as Security

Included in plant and machinery are leased assets with a carrying amount R11 890 858 (2016: R14 217 732). The leased assets are held as a security by the financier.

Included in Infrastructure is an amount for Landfill Site with a carrying value of R159 084 (2016: R 160 870)

* See Note 40

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R

12. HERITAGE ASSETS

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical Monuments	3	-	3	3	-	3

Reconciliation of Heritage Assets - 30 June 2017

	Opening balance	Total
Historical Monuments	3	3

Reconciliation of Heritage Assets - 30 June 2016

	Opening balance	Total
Historical Monuments	3	3

Heritage assets

All the municipality's heritage assets are held under a freehold interest and no heritage asset have been pledged as security for any liabilities of the municipality.

The heritage assets comprise of the Dick King Memorial Site, a Fingo Milkwood Tree and Fort Peddie Tower Complex. These are not income generating assets and shown on the face of the statement of financial position at a nominal value of R1 each.

No impairment losses have been recognised on the heritage assets of the municipality at the reporting date.

These heritage assets have not been revalued due to their fair value not being easilty and reliably measured due to the lack of a market for these assets..

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R

13. FINANCE LEASE OBLIGATION

Minimum lease payments due		
- within one year	7,629,087	7,629,087
- in second to fifth year inclusive	-	7,629,087
	7,629,087	15,258,174
less: future finance charges	(699,677)	(3,117,317)
	6,929,410	**12,140,857**
Present value of minimum lease payments due		
- within one year	6,367,963	5,358,966
- in second to fifth year inclusive	561,447	6,781,891
	6,929,410	**12,140,857**

It is the municipality's policy to lease certain plant under a finance lease.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets with a carrying value of R 11 890 858 (2016: R 14 217 732).

The lease term is 3 years at a fixed borrowing rate of 9.25% linked to prime rate prevalent at the inception of the lease on 01 July 2015. Leases have fixed repayment terms. No arrangements have been entered into for contingent rent.

14. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	19,125,984	9,681,774
Accrued Bonus	2,824,357	2,474,905
Accrued Leave Pay	2,811,429	3,012,453
Retentions	1,214,285	931,940
	25,976,055	**16,101,072**

Included in trade payables is a balance for Amathole District Municipality amounting to R 6 020 192 (2016: R 15 020 192).

15. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Receivables with Credit Balances	497,776	850,612

All receivables with credit balances have been reallocated to Payables from Non-Exchange Transactions to achieve fair presentation.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R

16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Electrification	899,544	-

The municipality received an INEP Grant in the current year for the Electrification of households in the municipal area. However, the municipality did not spend all the funds received for this purpose.

See note 27 for reconciliation of grants from National/Provincial Government.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017	2016 Restated*
	R	R

17. PROVISIONS

Reconciliation of Provisions - 30 June 2017

	Opening Balance	Change in discount factor	Total
Provision for Rehabilitation of Landfill Sites	160,649	2,716	163,365
Provision for Long Service Awards	2,663,000	494,000	3,157,000
	2,823,649	**496,716**	**3,320,365**

Reconciliation of Provisions - 30 June 2016

	Opening Balance	Additions	Utilised during the year	Revised during the year	Change in discount factor	Total
Provision for Rehabilitation of Landfill Sites	181,811	-	-	(24,582)	3,420	160,649
Provisions for Long Service Awards	2,309,000	626,000	(272,000)	-	-	2,663,000
	2,490,811	**626,000**	**(272,000)**	**(24,582)**	**3,420**	**2,823,649**

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017	2016 Restated*
	R	R

Rehabilitation of Landfill Sites Provision

The Provision for Rehabilitation of Landfill Sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation. The amount for the provision was adjusted retrospectively in accordance with the report produced by qualified engineers from the Department of Local Government.

Long Service Award Provision

The Long Service Award is payable after every 5, 10, 15, 20, 25, 30, 35, 40 and 45 years of continuous service. The provision is an estimate of the amounts likely to be paid based on an actuarial valuation performed at the reporting date.

The actuarial valuation of the long service awards accrued liability was carried out by ZAQ Consultants and Actuaries. The assumptions used in the valuation are outlined below:

Key Assumptions:

1. Salary increase rate of 7.36%.
2. The mortality rate of SA 85 - 90.
3. Normal retirement age of 65 years.
4. The discount rate used was yield curve as at 30 June 2017 as supplied by the Johannesburg Stock Exchange.

18. ACCUMULATED SURPLUS

Included in the accumulated surplus is an amount of R7 029 284 which relates to transactions that were posted against the Accumulated Surplus account in the current year of assessment. These include amounts that should have been transacted in the prior years into their respective income and expense accounts.
These include and are not limited to the following:
- Billings not raised in prior years,
- Correction of errors on invoices.

19. SERVICE CHARGES

	2017	2016
Refuse Removal	653,355	571,929

20. LICENCES AND PERMITS

	2017	2016
Drivers Licence	1,450,181	1,501,622
Learners Licence	154,705	137,228
	1,604,886	**1,638,850**

21. RENTAL OF FACILITIES AND EQUIPMENT

	2017	2016
Garages and parking		
Various Rentals	144,238	206,021
Facilities and equipment		
Billboards	2,714	7,433
	146,952	**213,454**

Some of the offices were not occupied during the year ended 30 June 2015

At the end of the financial year, the properties were generating an average monthly income of R10 326 (2016: R9 576).

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R

22. AGENCY FEES

eNATIS Commission	343,681	315,731

23. OTHER REVENUE

Tender Fees	103,445	108,978
Sundry Income	424,551	106,421
Photocopies	-	650
Building Plan Fees	27,262	61,860
Insurance Claim for Loss of Property, Plant and Equipment	137,964	30,396
	693,222	**308,305**

Sundry Income includes income from Cemetery Fees and Commission Collection.

24. INTEREST EARNED - OUTSTANDING DEBTORS

Interest Earned - Outstanding Debtors	3,777,615	3,277,506

25. INTEREST REVENUE

Interest on Investments	1,129,318	1,255,184

26. PROPERTY RATES

Gross Property Rates	26,920,124	20,731,612
Less: Rebates	(1,166,993)	(1,809,226)
	25,753,131	**18,922,386**

* See Note 40

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R
Valuations		
Residential	344,707,304	320,508,301
Commercial	139,476,888	84,489,000
Government	571,034,890	228,507,387
Municipal	84,049,307	84,174,808
Farms agricultural	85,104,301	46,010,000
Place Of Worship	2,396,000	2,396,000
Farms Non-Agricultural	-	13,711,801
Vacant Land	105,918,284	7,817,718
Game Hunting	6,300,000	6,300,000
Other	16,027	-
	1,339,003,001	**793,915,015**

The reason for the fluctuations in the property values between the 2016/17 and the 2015/16 financial years was due to the splitting of the categories of properties in order to comply with the requirements of mSCOA. The vast increase in the values of the properties was due to the supplementary valuation that was conducted and due to the surveyed rural schools and clinics that have been included in the manual rates recons and billed. General Valuations on land and buildings are performed every 4 years the last general valuation came into effect on 1 July 2013. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates applied to property valuations to determine assessment rates were established by the Council on various usage categories as per the municipality's rates policy. These rate tariffs were published and can be inspected at the municipality's registered address. Rebates of 43% (2016: 43%) are granted to residential and state property owners.

The new general valuation will be implemented on 01 July 2018.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R

27. GOVERNMENT GRANTS

Equitable Share	76,828,000	82,854,000
Expanded Public Works Programme	1,000,000	1,000,000
Municipal Infrastructure Grant	19,475,000	23,484,000
Financial Management Grant	2,010,000	1,875,000
Municipal Systems Improvement Grant	-	930,000
Integrated National Electrification Programme	3,100,456	-
Library Grant	-	200,000
	102,413,456	**110,343,000**

Conditional and Unconditional Grants

Included in the above are the following grants and subsidies received:

Conditional grants received	25,585,456	27,289,000
Unconditional grants received	76,828,000	83,054,000
	102,413,456	**110,343,000**

Equitable Share

In terms of Section 227 of the Constitution, this grant is used to enable the municipality to provide basic services and perform functions allocated to it.

The Equitable Share Grant also provides funding for the municipality to deliver free basic services to poor households and to subsidise the cost of administration and other core services for the municipality.

Expanded Public Works Programme

Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(1,000,000)
	-	-

The grant was received from National Roads and Public Works.

The grant was used for stipends for unemployed youths.

Municipal Infrastructure Grant

Current-year receipts	19,475,000	23,484,000
Conditions met - transferred to revenue	(19,475,000)	(23,484,000)
	-	-

The grant was received from National Treasury.

The grant was used for construction of community halls and extension of access roads.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R

Financial Management Grant

Current-year receipts	2,010,000	1,875,000
Conditions met - transferred to revenue	(2,010,000)	(1,875,000)
	-	-

The grant was received from National Treasury.

This grant was used to pay stipends for Financial Management Interns and Budget and Treasury Office related expenditure.

Municipal Systems Improvement Grant

Current-year receipts	-	930,000
Conditions met - transferred to revenue	-	(930,000)
	-	-

The grant was received from Provincial Co-operative Governance and Traditional Affairs.

The grant was used to pay for public participation activities and for the maintenance of systems.

Library Grant

Current-year receipts	-	200,000
Conditions met - transferred to revenue	-	(200,000)
	-	-

The grant was received from the Department of Sport, Recreation, Arts and Culture.

This grant was used to support the maintenance of the library.

Integrated National Electrification Programme

Current-year receipts	4,000,000	-
Conditions met - transferred to revenue	(3,100,456)	-
	899,544	-

Grant Received in-kind

The municipality indirectly received the benefit of a grant in-kind received from National Treasury for Electrification of Household by Eskom in the Municipality boundary. Eskom does the work on behalf of the municipality and transfers directly to the beneficiary, no payments are made by the municipality nor receipts of cash are directed to the municipality

28. OTHER TRANSFER REVENUE

CETA	3,105,293	2,060,146

29. FINES AND PENALTIES

Traffic fines issued during the year	588,650	623,592

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

30. EMPLOYEE RELATED COSTS

	2017 R	2016 Restated* R
Acting Allowances	3,485	500,093
Annual Bonus (13th Cheques)	2,823,092	3,547,476
Cellphone Allowance	325,906	346,587
UIF	301,588	258,106
Basic Salaries	35,751,861	31,511,768
Housing Allowances	195,593	110,457
Gratuity	-	4,605
Medical Aid Contributions	2,148,891	1,891,968
Pension Fund Contributions	5,454,039	4,666,807
Long Service Bonus	569,358	462,225
Subsistence and Travel	2,658,928	3,023,747
SALGBC Levies	17,525	15,457
Overtime	323,384	296,462
Redemption of Leave	655,338	749,950
Shift Allowance	222,084	19,173
SDL	430,642	393,492
	51,881,714	**47,798,373**

The amounts below have been included in the above note:

Remuneration of Municipal Manager

	2017 R	2016 Restated* R
Annual Remuneration	1,093,240	1,105,380
Back pay	38,092	37,380
SDL	11,313	11,473
UIF	1,636	1,785
Travel expenses	2,291	15,917
Bargaining levy	84	-
	1,146,656	**1,171,935**

Remuneration of Chief Finance Officer

	2017 R	2016 Restated* R
Annual Remuneration	598,047	552,691
Travel expenses	205,084	227,710
SDL	9,858	9,153
UIF	1,785	1,785
Cellphone allowance	34,885	26,285
Backpay	31,743	31,150
Non pensionable allowances	165,455	156,948
Bargaining levy	92	-
	1,046,949	**1,005,722**

Remuneration of Executive Manager: Corporate Services

	2017 R	2016 Restated* R
Annual Remuneration	846,750	772,236
Backpay	31,743	48,063
Travel expenses	154,279	154,758
SDL	9,579	9,130
UIF	1,785	1,785
Bargaining levy	92	-
	1,044,228	**985,972**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R

Remuneration of Executive Manager: Technical Services

Annual Remuneration	707,042	639,150
Backpay	31,743	31,150
Travel expenses	347,060	332,683
SDL	8,481	8,604
UIF	1,785	1,785
Cellphone allowance	67,486	63,000
Bargaining levy	92	-
	1,163,689	**1,076,372**

Remuneration of Acting Executive Manager: Community Services

Annual Remuneration	102,257	394,009
Travel expenses	34,283	66,889
SDL	1,518	6,299
UIF	297	1,785
Pension	25,564	68,937
Acting Allowance	-	143,671
Housing and Cellphone Allowance	-	19,207
Medical Aid	9,310	-
	173,229	**700,797**

31. REMUNERATION OF COUNCILLORS

Mayor	829,472	791,263
Speaker	636,796	647,136
Chief Whip	578,570	255,514
MPAC Chair	332,896	320,710
Exco	1,026,451	1,369,897
Other Councillors	3,986,908	4,372,247
	7,391,093	**7,756,767**

The Remuneration of Councillors is based on the upper limit as per the Government Gazette.

The Mayor and Speaker each have the use of a separate Council owned vehicle, with a designated driver for the Mayor for official duties, and are provided with an office and secretarial support at the cost of the Council.

There were no in-kind benefits declared nor received by other Councillors.

32. DEPRECIATION AND AMORTISATION

Property, plant and equipment	16,381,831	13,753,468
Intangible Assets	356,629	284,903
	16,738,460	**14,038,371**

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R

33. IMPAIRMENT OF ASSETS

Property, plant and equipment During the year, items of property, plant and equipment were impaired due to loss and damage of assets.	17,717	203,302
Intangible Assets During the prior year, items of intangible assets were impaired as no future economic benefits that could be derived from the assets. The value in use of the assets impaired is zero together with the fair value less cost to sell which was found to be zero.	-	114,743
Reversal of prior year Impairment - Property, Plant and Equipment The impairment raised in the prior year was adjusted due to the reconstruction of the impaired assets.	-	(107,226)
	17,717	**210,819**

The main classes of assets affected by impairment losses are:
Motor Vehicles, Office Equipment, Computer Equipment, Maintenance Equipment, IT Equipment, Capital Work in Progress and Computer Software.

34. FINANCE COSTS

Finance Lease	1,115,883	3,652,463
Late Payment of Suppliers	164,338	(1,906)
	1,280,221	**3,650,557**

35. DEBT IMPAIRMENT

Debt Impairment	1,877,636	1,963,245

Debt impairment is an assessment of the amounts that will not be recovered from the debtors, based on the municipality's policy.

36. REPAIRS AND MAINTENANCE

Repairs and Maintenance - Infrastructure	2,649,412	732,441
Repairs and Maintenance - Motor Vehicles	-	553,436
Repairs and Maintenance - Buildings	581,204	273,527
Repairs and Maintenance - Park Facilities	6,641	11,096
Repairs and Maintenance - Office Equipment	1,517,181	689,128
Repairs and Maintenance - Other Equipment	2,227,165	1,001,208
	6,981,603	**3,260,836**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

37. OTHER EXPENDITURE

	2017 R	2016 Restated* R
Accommodation Expenses	3,275,406	2,150,413
Advertising	1,311,825	540,623
Agriculture	445,463	339,407
Audit Committee Expenses	-	227,842
Audit Fees	3,199,529	4,133,775
Bank Charges	85,127	84,292
Books and Publications	82,875	52,794
Catering	276,143	264,729
Computer Expenses	67,827	67,287
Conferences and Seminars	98,538	124,102
Consultation and Professional Fees	15,697,054	6,947,308
Consumables	114,343	163,085
Electricity	3,125,699	2,896,161
Employee Assistance Programme	471,111	145,920
Entertainment	64,285	83,729
Financial Management Enhancement	1,051,994	-
Fuel and Oil	1,612,858	876,992
Health and Safety Equipment	279,052	291,039
Hire of Equipment	-	3,691,460
IDP Reviewal	719,303	315,780
Legal Expenses	2,673,127	2,795,988
Life Savour Hire	194,800	179,458
Motor Vehicle Expenses	50,074	88,136
Miscellaneous Expenses	9,072,173	2,902,833
Printing and Stationery	384,054	361,575
Programmes	3,899,906	2,545,379
Public Participation	2,288,723	272,418
Refuse	79,300	146,144
Royalties and License Fees	268,163	-
Special Programmes Unit	591,921	607,176
Subscriptions and Membership Fees	598,081	18,864
Telephone	666,023	705,029
Tourism Development	1,837,850	312,229
Training	1,142,271	934,007
Travel Local	-	34,751
Uniforms	1,676,382	1,959,870
Fines Community and Social Services	100,000	-
Valuation Costs	-	11,520
Water Municipal Use	282,312	5,124,182
	57,783,592	**42,396,297**

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R

38. CASH FLOWS FROM OPERATING ACTIVITIES

(Deficit)/Surplus for the year	(3,765,834)	18,229,985
Adjustments for:		
Depreciation and Amortisation	16,738,460	14,038,371
Impairment Loss on Assets	17,717	210,819
Debt Impairment	1,877,636	1,963,245
Loss on Disposal of Assets	-	224,833
Movement in Accrued Bonus	349,452	1,424,808
Movement in Long-Service Bonus	494,000	354,000
Movement on Leave Pay Provision	(201,024)	529,171
Movements in Operating Lease Asset	(10,794)	(300,090)
Movements in Provision for Landfill Sites	2,716	(21,162)
Changes in working capital:		
VAT Receivable	466,131	492,362
Receivables from Exchange Transactions	(499,411)	(5,116,082)
Receivables from Non-ExchangeTransactions	5,086,958	(13,130,623)
Payables from exchange transactions	9,444,210	(6,933,158)
Retentions	282,345	360,063
Payables from Non-Exchange Transactions	(352,836)	(1,384,763)
Unspent conditional grants and receipts	899,544	-
Other non cash adjustments	2,382,597	-
Effect of the prior year error adjustments (Refer to Note 40)	-	17,827,835
	28,446,673	**28,769,614**

39. COMMITMENTS

Authorised Capital Expenditure

Already contracted for but not provided for		
• Operational Expenditure	31,865,121	31,605,298
• Capital Expenditure	16,288,313	-
	48,153,434	**31,605,298**

This committed expenditure relates to Property, Plant and Equipment and Intangible Assets and will be financed by Municipal Grants.

Operating Lease Asset

Minimum lease payments due		
- within one year	122,346	132,943
- in second to fifth year inclusive	589,793	587,384
- later than five years	1,226,401	1,106,435
	1,938,540	**1,826,762**

Certain of the municipality's equipment is held to generate rental income. Rental of land is subject to various escalation rates as per the lease agreements on an ongoing basis. Lease agreements are cancellable and have terms from 3 to 30 years. There are no contingent rents receivable.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R

40. PRIOR PERIOD ERRORS

During the year the following errors were discovered in both the annual financial statements submitted in the prior year and the financial accounting system. These errors have been corrected retrospectively through restatements of prior year through journals in the financial accounting system and through correcting the misrepresented prior year column on the annual financial statements.

OPERATING LEASE ASSET (LIABILITY) AND RENTAL OF FACILITIES AND EQUIPMENT: The straight lining of the lease in the prior year was done incorrectly. Therefore the error was corrected in the current year.

RECEIVABLES FROM EXCHANGE TRANSACTIONS: The error was as a result of debtors balances that were incorrectly written off in the previous year. This error was corrected by reversing all those debtors balances in the current year

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS: The error was a result of incorrectly billing Rural development in the previous year, this error was corrected by billing rural development in the current year.

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION: The allocation of deprecation was overstated and the figures did not agree with the asset register. Furthermore the general ledger did not agree to the amounts reflected on the annual financial statements. There were completed projects which were not capitalised from Work - in - Progress to Infrastructure or Buildings. This error was corrected by agreeing the asset register to the annual financial statements and capitalising completed projects.

PAYABLES FROM EXCHANGE TRANSACTIONS: This adjustment was a result of invalid creditors that were raised in the previous year, however, this was an adjustment was corrected by confirming with the creditors that the municipality is not owing any monies on these creditors.

PAYABLES FROM NON-EXCHANGE TRANSACTIONS: The error was as a result of write of funds received from an unknowned depositor.

REMUNERATION OF COUNCILLORS: This was due to a mapping error made in the prior years

OTHER EXPENDITURE: This was due to a mapping error made in the prior years

REPAIRS AND MAINTENANCE: This was due to a mapping error made in the prior years

EMPLOYEE COSTS: This was due to a mapping error made in the prior years.

PROPERTY RATES: The error was a result of incorrectl billing of Rural development in the previous year, this error was corrected by billing rural development in the current year.

CASH AND CASH EQUIVALENTS: This error was a result of invalid petty cash balances in the perious year, this error was corrected by proposing the writing off the petty cash balance in the current year.

FINANCE LEASE OBLIGATION: The error was a result of current portion lease liability that was understated and overstatement of the long terms portion of the leases.

PROVISIONS: This error was a result of incorrect provision that was made in the previous year, this erorr was corrected by recalculating the provision and adjusting the provision in the current year.

FINANCE COSTS: This error was a result of incorrect provision that was made in the previous year, this erorr was corrected by recalculating the provision and adjusting the finance in the current year.

RENTAL OF FACILITIES AND EQUIPMENT: The annual operating rentals were incorrectly cultulated on straight line method

OPERATING LEASE ASSET: The annual operating rentals were incorrectly cultulated on straight line method.

FINES AND PENALTIES: Fine and penalties were recorded on cash basis instead of Invoice basis

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R

INVESTMENT PROPERTY: There was RDP houses which were incorrectly included in the balance and a property belonging the the Department of Public Works was erroneously included in the balance of Investment Property. Further, The error was a result of properties belongs to Harmburg Village management board that was included in the investment properties.

CASH FLOW STATEMENT: Adjustments were made to the prior year Cash Flow statement due to the adjustment of the idenfitied prior year errors in other accounts in the Annual Financial Statements.

INVENTORIES: A number of RDP houses were discovered to have been incorrectly included under the Investment Property of the Municipality.

IMPAIRMENT OF ASSETS: The impairment raised in the prior year was adjusted due to the reconstruction of the impaired assets.

The correction of the error(s) resulted in adjustments as follows:

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2017 R	2016 Restated* R

	Note	Previously stated	Correction of error	Restated
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017				
Current Assets				
Inventories		268,800	3,076,900	3,345,700
Operating Lease Asset	4	67,602	326,138	393,740
Receivables from Non-Exchange Transactions	7	21,061,386	5,591,285	26,652,671
Cash and Cash Equivalents	8	1,200,807	(823)	1,199,984
		22,598,595	8,993,500	31,592,095
Non-Current Assets				
Investment Property	10	37,951,900	(13,893,900)	24,058,000
Property, Plant and Equipment	11	163,415,233	1,164,614	164,579,847
		201,367,133	(12,729,286)	188,637,847
Current Liabilities				
Finance Lease Obligations	13	4,761,551	597,415	5,358,966
Payables from Exchange Transactions	14	26,200,505	(10,099,433)	16,101,072
Payables from Non - Exchange Transactions	15	1,850,712	(1,000,100)	850,612
		32,812,768	(10,502,118)	22,310,650
Non-Current Liabilities				
Finance Lease Obligation	13	7,020,261	(238,370)	6,781,891
Provisions	17	2,848,231	(24,582)	2,823,649
		9,868,492	(262,952)	9,605,540
Net Assets				
Accumulated Surplus	18	193,644,514	7,029,284	200,673,798
		193,644,514	7,029,284	200,673,798
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017				
Revenue				
Rental of Facilities and Equipment	21	192,928	20,526	213,454
Other Revenue	23	269,155	39,150	308,305
Property Rates	26	17,137,076	1,785,310	18,922,386
Fines and Penalties	29	623,092	500	623,592
Total Revenue		18,222,251	1,845,486	20,067,737
Expenditure				
Employee Related Costs	30	47,796,803	1,570	47,798,373
Remuneration of Councillors	31	7,758,337	(1,570)	7,756,767
Depreciation and Amortisation	32	13,334,238	704,133	14,038,371
Impairment of Assets	33	318,045	(107,226)	210,819
Finance Costs	34	3,675,138	(24,581)	3,650,557
Repairs and Maintenance	36	3,811,007	(550,171)	3,260,836
Other Expenditure	37	41,846,126	550,171	42,396,297
Total Expenditure		118,539,694	572,326	119,112,020

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

			2017 R	2016 Restated* R
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017				
Cash flow from Operating activities				
Net cash flows from operating activities	38	-	-	-
Billed Services		6,592,178	1,408,433	8,000,611
Interest Revenue				
Purchase of Property, Plant and Equipment	11	1,255,184	2,022,322	3,277,506
Other services		4,876,578	30,896	4,907,474
Cash Flows from Investing Activities				
Payments to Employees		(57,863,119)	4,619,378	(53,243,741)
Payments to Suppliers		(35,415,109)	(8,205,186)	(43,620,295)
Finance Costs		(3,675,138)	2,780,197	(894,941)
Purchase of Property, Plant and Equipment		(24,528,277)	(2,741,163)	(27,269,440)
Cash Flows from Financing Activities		-	-	-
Finance lease repayments		(894,942)	85,123	(809,819)
		1,074,585,757	**(9,844,568)**	**1,064,741,189**

41. RISK MANAGEMENT

Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's approach to managing the liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when they fall due, without incurring unacceptable losses or risking damage to the municipality's reputation.

The municipality manages liquidity risk through an ongoing review of future commitments and grant receipts.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

Balances with banks, deposits and all call and current accounts attract interest at rates that vary with South African prime rate. The municipality's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the surplus / deficit.

The municipality's income and operating cash flows are substantially independent of changes in market interest rates due to the short term nature of interest bearing assets.

Surplus funds are invested with banks for fixed terms on fixed interest rates not exceeding one year. For details refer to note 8

Any change in interest rates will not have any impact on the accumulated surplus of the municipality.

At period end financial assets exposed to interest rate risk were as follows:

Cash and Cash Equivalents - R 1 265 817 (2016: R 1 199 984)

	2017 R	2016 Restated* R

Credit risk

Credit risk is the risk of financial loss to the municipality if customers or counterparties to financial instruments fail to meet their contractual obligations and arises principally from the municipality's receivables, and cash and cash equivalents. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Receivables are amounts owing by consumers and are presented net of impairment losses. Receivables comprise a widespread customer base. Management evaluated credit risk relating to these customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the group of customers, taking into account their financial position, past experience and other factors.

Financial instruments exposed to credit risk at year end were as follows:

Financial instrument	2017	2016 Restated*
Receivables from Exchange Transactions	8,327,410	7,827,999
Receivables from Non-Exchange Transactions	21,565,713	26,652,671
Cash and Cash Equivalents	1,265,817	1,199,984
Finance Lease Obligation	6,929,410	12,140,857
Provisions	3,320,365	2,823,649
Payables from Exchange Transactions	25,976,055	16,101,072
Payables from Non-Exchange Transactions	497,776	850,612
Unspent conditional grants and receipts	899,544	-

42. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the municipality will continue to receive grants from National and Provincial Governments as well as continue to levy rates and charge for refuse collection. The proceeds are presumed to be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

43. EVENTS AFTER THE REPORTING DATE

The Municipality is party to a Finance Lease contract in entered into on the 01 July 2015 as disclosed in Note 13 to the Annual Financial Statements. The municipality has been in the process of terminating the referred lease contract and the process of the termination was still not finalised by 30 June 2017.

44. UNAUTHORISED EXPENDITURE

There was no unauthorised expenditure incurred by the municipality in the current year. Refer to the Statement of Comparison of Budget and Actual Amounts

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R
Details of Unauthorised Expenditure		
Remuneration of Councillors	-	119,337
Depreciation and Amortisation	-	3,902,238
Loss on disposal of Assets	-	824,833
Finance Costs	-	3,675,138
Impairment of Assets	-	318,045
	-	**8,839,591**

	2017	2016
Opening balance as previously reported	35,026,153	50,488,691
Written off by Council for previous years	-	(22,450,424)
Restated Balance	35,026,153	28,038,267
Unauthorised expenditure for the year	-	9,328,915
Written off by Council	-	(2,341,029)
	35,026,153	**35,026,153**

45. FRUITLESS AND WASTEFUL EXPENDITURE

Opening balance as previously reported	14,886	-
Fruitless and wasteful expenditure for the current year	161,542	112,265
Certified as irrecoverable by council	-	(97,379)
	176,428	**14,886**

Details of Fruitless and Wasteful Expenditure		
Interest charged by the Auditor General	3,147	19,751
Interest charged by Telkom	761	2,366
Traffic penalties	10,500	-
Interest charged by Eskom	6,504	11,082
SARS penalties	139,204	79,066
Amathole District Municipality	1,426	-
	161,542	**112,265**

The above incidents have been taken to Council for consideration.

46. IRREGULAR EXPENDITURE

	2017	2016
Opening balance as previously reported	41,111,787	59,499,000
	41,111,787	**59,499,000**
Add: Irregular Expenditure - current year	6,296,669	23,089,635
Amount written off by Council - Audit	-	(40,415,928)
Amount written off by Council - Incurred in current year	(6,296,669)	(1,060,920)
	41,111,787	**41,111,787**

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R
Details of irregular expenditure		
Proper Supply Chain Management processes were not followed in making the following awards:	6,296,669	23,089,635

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R

47. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding pro

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements.

The incident below were procured during the financial year under review and the process followed deviated from the provisions of 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to Council who considered them and the accounting officer subsequently approved the deviations from the normal supply chain management regulations:

Incidents

Deviations due to Emergency procurement	9,677,513
Deviations due to Sole supplier procurement	3,318,448
Deviations due to impracticality of following SCM processes	2,884,142
	-
	15,880,103

48. CONTINGENT LIABILITIES

Contingencies arise from pending litigation on contractual disputes and damage claims. As the conclusion of the process is dependent on the setting of the dates by the respective courts, the timing of the economic outflow is therefore uncertain.

Dlelanga Trading CC vs Ngqushwa Local Municipality - A claim by Dlelanga Trading CC based on a dispute for services rendered.

Nosizwe Madlingozi obo Sesona Manyathi vs Ngqushwa Local Municipality - A claim by Nosizwe Madlingozi obo Sesona Manyathi for damages sustained by a minor on the municipal owned sports field. In this matter, the municipal insurers have been notified.

Contingent Liabilities

The table below summarises the potential financial impact of the law suits:

	R
Dlelanga Trading CC vs Ngqushwa Local Municipality (Dispute for services rendered)	595,872
Nosizwe Madlingozi obo Sesona Manyathi vs Ngqushwa Local Municipality (Damages sustained)	1,502,180
	2,098,052

49. ADDITIONAL DISCLOSURE IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT NO 56 OF 2003

Contributions to SALGA

	2017	2016
Current year subscription / fee	532,000	500,000
Amount paid - current year	(532,000)	(500,000)
	-	-

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R
AUDIT FEES		
Opening balance	-	888,896
Current year fees	3,816,101	4,133,775
Amount paid - current year	(3,093,821)	(5,022,671)
	722,280	**-**
PAYE, SDL AND UIF		
Opening balance	665,428	(1,587,597)
Current year subscription / fee	8,462,350	8,780,552
Amount paid - current year	-	(7,488,935)
	-	961,408
	9,127,778	**665,428**
PENSION AND MEDICAL AID DEDUCTIONS		
Opening balance	72,350	768,295
Current year subscription	13,335,869	11,438,446
Amount paid - current year	(13,335,869)	(10,894,990)
Amount paid - prior year	-	(903,142)
Correction of misallocations	(72,350)	(336,259)
	-	**72,350**

COUNCILLOR'S ARREAR CONSUMER ACCOUNTS

No councillors had balances in excess of 90 days in the year under review.

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